

# Working Documents

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15 JUNE 1978

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### REPORT

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the  
European Communities to the Council for a  
regulation amending regulation (EEC) No 2759/75  
on the ~~common~~ organization of the market in  
pigmeat

Rapporteur: Mr Gerald L'ESTRANGE

1.2.1



By letter of 9 June 1978, the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No 2759/75 on the common organization of the market in pigmeat.

On 13 June 1978 the President of the European Parliament referred this proposal to the Committee on Agriculture as the Committee responsible and the Committee on Budgets as the committee asked for its opinion.

The Committee on Agriculture appointed Mr L'Estrange rapporteur on 13 June 1978.

It considered this proposal at its meeting of 14 June 1978.

At the same meeting the committee adopted the motion for a resolution by 11 votes in favour with 4 abstentions.

Present: Mr LIOGIER, acting chairman and vice-chairman, Mr HUGHES, vice-chairman, Mr L'ESTRANGE, rapporteur, Mr ANDERSEN, Mr BREGEGERE, Lord BRIMELOW, Mr BRUGGER, Mr CORRIE, Mrs DUNWOODY, Mr DURAND, Mr FRÜH, Mr HOWELL, Mr JOXE, Mr KLINKER and Mr PISONI.

The Committee on Budgets will not submit an opinion.

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ANNEX

The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on a proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 2759/75 on the common organization of the market in pigmeat

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(78) 236 final),
  - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 164/78),
  - having regard to the report of the Committee on Agriculture (Doc. 171/78),
  - having regard to the report drawn up by Mr HOFFMANN on a proposal for a regulation relating to the fixing of representative conversion rates in agriculture (Doc. 104/78),
  - having regard to the report drawn up by Mr TOLMAN on a proposal for a regulation amending Regulation No. 974/71 as regards the price level to be taken into consideration for the calculation of monetary compensatory amounts (Doc. 102/78),
  - having regard to the very serious situation facing pigmeat producers in a number of Member States,
  - whereas the existing basis for calculating monetary compensatory amounts in the pigmeat sector has led to distortions in trade,
1. Notes that the purpose of the proposal is to allow the Commission to reduce the buying-in price for pig carcasses, used for calculating MCAs in the pigmeat sector, from 85% to 78% of the basic price;
  2. Notes that the Commission intends to withdraw its proposals to dismantle existing MCAs over a period of seven years and to modify the price level to be taken into consideration for the calculation of MCAs, despite the European Parliament's support for those proposals;
  3. Expresses its dissatisfaction with
    - (a) the slowness of progress on the Commission's proposals to reform the existing system of MCAs and so contribute to restoring the unity of the common agricultural market;

- (b) the tardiness with which the Parliament was asked to express its opinion on the present proposal;
  - (c) the consequential need to use the emergency procedure for a question which should have received more timely and more careful consideration, and which, even after the passing of this resolution, will require further consideration.
4. Approves, however, as a limited and initial step, the Commission's proposal, on condition that the Commission reconsider the whole pigmeat sector support regulations urgently.

EXPLANATORY STATEMENTIntroduction

1. Monetary compensatory amounts were first introduced in 1969 and were intended to be a temporary arrangement based on fixed compensatory amounts.

2. With the introduction of floating exchange rates for the German Mark and the Dutch Florin in May 1971, a new system of MCAs was introduced based on variable compensatory amounts and designed to offset the widening of the margins of fluctuation of certain currencies which, at that time, was considered a temporary phenomenon.

With the generalized floating of the currencies of the Member States and the introduction of representative (or "green") rates in 1973, MCAs have taken on a permanent character.

Moreover, the impact of the MCAs has gone far beyond what was intended or envisaged. For example, MCAs have become a permanent factor influencing the trade flows, between Member States, of the major agricultural products. A number of Member States have complained that, for certain sectors, the compensation provided for exceeds the difference in prices created by currency fluctuations. This means that there is an over-compensation for currency fluctuations and a serious distortion in trade flows between the Member States.

3. This is clearly in contradiction to the aims laid down by the basic regulation on MCAs. Pursuant to the final recital of Regulation (EEC) No 974/71<sup>1</sup>, "the compensatory amounts should be limited to the amounts strictly necessary to compensate the incidence of the monetary measures on the prices of basic products covered by intervention arrangements and it is appropriate to apply them only in cases where this incidence would lead to difficulties". At all events, MCAs were not intended to be a permanent feature since they were designed to offset the temporary widening of the margins of fluctuation for the currencies of certain Member States.

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<sup>1</sup> O.J. No L 106, 12.5.1971

4. In an effort to recreate unity in the agricultural market, the Commission has already submitted to the Council three proposals, two for regulations relating to the fixing of representative exchange rates in the agricultural sector<sup>1</sup>, the other for a regulation amending Regulation (EEC) No 974/71 as regards the price level to be taken into consideration for the calculation of monetary compensatory amounts<sup>2</sup>.

5. The first proposal laid down a ceiling for MCAs and also a permanent management system enabling a periodic adjustment of representative rates to be made according to the development of market rates during a particular reference period. Such adjustments were to take place every six months for depreciated currencies (on 1 January and 1 June) and at the beginning of the trading year for 'valorized' currencies. Finally, it laid down a maximum adjustment percentage to prevent difficulties for the countries concerned.

The second proposal provided for the elimination of MCAs over seven years, 1/7 of the MCAs being dismantled each year, and for MCAs introduced in the future to be eliminated at the time of the new price fixing ; adjustments, however, would be limited to maximum of 5% per year.

6. In its third proposal, the Commission suggested that the system used in the beef and veal sector should be followed and MCAs calculated on the basis of prices lower than the support prices for particular products, without any change in the 'green' rates and national prices, and that this system should be extended to the pork and cereal sectors.

The Committee on Agriculture's main criticisms concerned the limited nature of the proposal and the absence of information on the amount of the reduction in the support prices used in calculating MCAs.

All the same, this proposal is not without merit, because it would mean a reduction in the amounts paid out in MCAs (without, however, altering the MCA rates or the support price level) and because it could be applied as a complement to any proposal for dismantling the MCAs.

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<sup>1</sup> Doc. 430/76; rapporteur : Mr Gibbons (Doc. 552/76)

Doc. 390/77; rapporteur : Mr Hoffmann (Doc. 104/78)

<sup>2</sup> Doc. 141/77; rapporteur : Mr De Koning (Doc. 188/77)



### Limited proposal in the pigmeat sector

7. The Council, regrettably, has failed to make any progress in adopting decisions on the lines proposed by the Commission. So complete has been the deadlock, that the Commission intends to withdraw its proposals. The Community is faced, therefore, with the possibility that MCAs will continue to exist and even to increase indefinitely to the point where a distortion in trade will be so enormous that it will no longer be possible to talk of an agricultural common market.

8. In the course of the price negotiations for the 1978/79 marketing year, amongst the conditions imposed by certain Member States was one relating to MCAs in the pigmeat sector. It has been generally agreed that MCAs in the pigmeat sector over-compensate for currency fluctuations. This has resulted in the pigmeat producers in countries with devalued currencies being severely disadvantaged by being placed in an uncompetitive position.

9. For the foregoing reasons the Council agreed that the situation should be corrected for the pigmeat sector, even while no decisions were to be taken for other sectors and the MCA system as a whole.

The Commission's proposal, therefore, provides that the minimum buying-in price, which is used for calculating the amount of MCAs in the pigmeat sector, shall be reduced from 85% to 78%. Following this change in the basic regulation of the market in pigmeat, the Commission will be able to fix a new buying-in price for pigmeat, according to the Management Committee procedure. This will allow, in turn, MCAs in the pigmeat sector to be recalculated.

Since intervention and the buying-in price is not applied in the pigmeat sector, this measure will have no direct impact on prices. There will be, however, a slight indirect impact on prices, since exports from countries with strong currencies will be discouraged and imports into countries with devalued currencies reduced.

10. It should be noted, furthermore, that the Council has taken this decision during the meeting of 8-12 May 1978 and that the European Parliament's opinion can be considered as little more than a formality. The press release of that meeting states that the Council "- agreed, on a proposal from the Commission, and after obtaining the opinion of the European Parliament, to reduce the minimum buying-in price for pig carcasses from 85% to 78%, - noted the Commission's intention of duly calculating the monetary compensatory amounts in the pigmeat sector on the basis of 78% of the basic price".

This shows clearly that the present method of negotiating during the annual price fixing, in which a number of unrelated proposals and policy issues are intermingled politically, decisions will be taken on a number of

important questions which go far beyond price fixing and upon which the European Parliament will be effectively excluded from giving an opinion, contrary to the provisions of Article 43(2) of the EEC Treaty.

#### Conclusions

11. The Council, regrettably, has failed to reach any decision on proposals from the Commission to dismantle progressively or to modify the operation of the existing system of MCAs. This system has resulted in a distortion of trade flows between the Member States, and is undermining the unity of the common agricultural market.

12. Faced with a complete deadlock in the Council on this question, and as a result of the insistence of certain Member States with devalued currencies that the over-compensation in the pigmeat sector of currency fluctuations be corrected, the Council agreed to reduce the minimum buying-in price for pig carcasses from 85% to 78%. This will enable MCAs in the pigmeat sector to be re-calculated on a correspondingly lower basis.

13. The Committee on Agriculture can approve this very limited proposal while once again urging the Council to demonstrate the political courage required to reform the existing system of MCAs.

Ratio:  $\frac{\text{Market price of PIGS}}{\text{Market price of compound feed for fattening pigs}}$

1970 = 100									
Year	Deutsch- land	France	Italia	Neder- land	Belgique België	Luxem- bourg	United Kingdom	Ireland	Danmark
1969	1,027	1,083	-	1,144	1,135	1,087	1,076	1,034	1,043
1970	100	100	100	100	100	100	100	100	100
1971	0,991	0,899	0,793	0,909	0,972	0,892	0,938	0,975	0,917
1972	1,074	0,928	0,806	1,004	1,062	0,974	1,027	1,010	0,883
1973	1,020	1,004	0,840	1,050	1,160	1,026	0,940	0,966	0,921
1974	0,873	0,805	0,694	0,836	0,891	0,889	0,761	0,897	0,829
1975	0,998	0,849	0,741	0,981	1,049	0,913	1,025	1,037	0,939
1976	1,046	0,876	0,797	0,971	1,152	0,906	0,902	0,942	0,898
1977	0,996	0,792	0,678	0,877	0,975	0,850	0,780	0,862	0,840

Source: Eurostat

